## Message from State Controller
# Kathleen Connell

In this issue of the Controller's Quarterly, we highlight the housing crisis in California. Ensuring adequate housing for Californians is absolutely crucial to the long-term sustainability of California's economy. Over the past decade, California has failed to keep housing construction on pace with population and job growth. Reversing this trend immediately is going to be critical to California's future. I am pleased to present in this edition a number of articles by experts in the field of affordable housing that give insight into the scope and nature of California's housing crisis, as well as possible avenues to the solution.

On the economic front, we are in the midst of a moderate slowdown from the economic boom that characterized most of 2000. However, our State's energy crisis is a significant threat that may weaken the economy further. Nevertheless, economic indicators show the economy in California still healthy, with a 3.2% rate of job growth a jump in real income per capita of 4.8% at year-end 2000.

We begin this edition with an overview of the scope of California's housing shortage and proposals to begin solving it. California is currently home to eight of the 10 most expensive metropolitan area housing markets in the country. The median home price in the State is more than $100,000 higher than the national median and almost half of California renters cannot afford fair-market rent on a two-bedroom apartment.

With so many obstacles to building affordable housing, it is useful to look to projects that have been successful as models for future construction. With this in mind, we are pleased to incorporate profiles of two successful affordable housing projects that have not only provided needed shelter in blighted areas, but which have catalyzed revitalization in their surrounding communities. Other models for affordable housing development include a profile of the largest non-profit developer for affordable housing in California and another of the public-private Housing Trust of Santa Clara County. One of our guest authors highlights the need for local governments to take initiative in encouraging development of affordable housing.

With an annual deficit of about 100,000 units per year and only one home being created for every 3.5 new jobs in the State, California's housing situation poses a real and immediate threat to the well being of California's otherwise healthy economy. The solution to this problem will have to be multi-faceted. At the local level, we will need zoning and land-use policies that accommodate more housing and higher densities. We will have to take back slum housing for rehabilitation into decent and safe housing that will revitalize our blighted communities. We will need to fund the production of affordable units and expedite the construction of market-rate housing. Finally, we will need meaningful reform of our State fiscal system that has disincentivized local governments from building housing for over twenty years.

As California's Chief Financial Officer, I strongly believe that California's economy cannot continue to prosper without addressing the housing deficit we now face. We must quickly assume leadership in implementing a long-term vision for safely housing our communities in a way that can preserve quality of life and economic prosperity for all Californians.

**KATHLEEN CONNELL**
**Controller**
**State of California**

# The California Economy: 2001 Update

## The Energy Crisis

Energy concerns are haunting California and economic growth this year. The State's economy was in for a moderate slowdown without the current energy crisis, but the onset of sharply higher electricity costs raises the risk of weakening the economy even further.

Some of the problems afflicting the State's economy this year are (1) the troubled short term outlook for technology products, (2) competition from abroad in semi-conductors, (3) a looming strike by the Screen Actors and Writers Guilds, and (4) the ongoing housing crisis. The energy crisis overlayed with these uncertainties will result in much slower job and income growth in 2001. Gross State Product will grow at just a third of last year's booming pace. It is unlikely that State will go into a recession, but the slowdown may feel like one.

**Gross State Product will grow at just a third of last year's booming pace.**

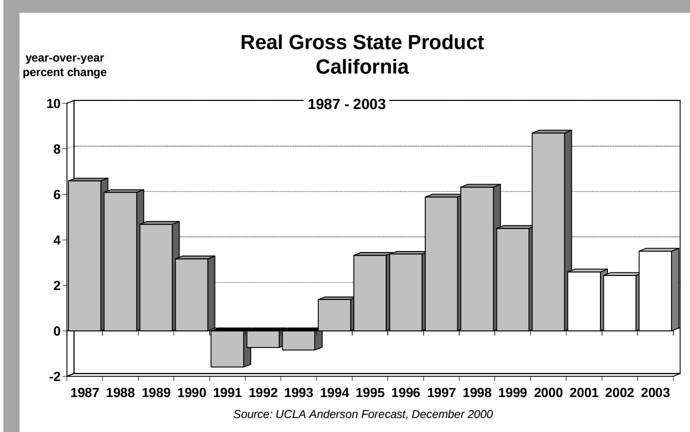
2001 will be a difficult year for California as the economy struggles with a number of issues. However, the impact of the energy crisis should be temporary, not lasting beyond this year. The problem is principally one of supply—which is perhaps the easiest to deal with because there are already a number of new power plants under construction or in the pipeline that will add to production capacity in the State. That is the longer term solution.

This year however, there are two larger issues:

(1) The demand for electricity, which depends on the weather. It was cold this past winter in the U.S. November and December were the coldest months since records have been kept. Energy reserves nationwide were scarce, and California was faced with much higher wholesale power prices. If the State experiences average temperatures this summer, energy supplies will be adequate. If temperatures rise significantly above normal, there will be shortfalls at peak demand.

(2) The market for electricity and the mechanism for buying wholesale power from providers. How California power companies can meet demand in selling low in the regulated retail market and buying power at high prices in the unregulated wholesale market has been the crux of the problem to date. The State is now working on solutions that would enable it to buy wholesale power and sell it to the utility companies at prices that accommodate the regulated retail market.

**Figure 1**




## Recent News

The recent economic news is somewhat exaggerated. While the U.S. economy is weakening, it is by no means foundering. Significant strength in a number of very important sectors still exists. Furthermore, the Federal Reserve appears poised to aggressively head off the possibility of weaker economic news with further interest rate reductions. The two cuts in January totaling 100 basis points are a bold move by the Fed, demonstrating their commitment towards landing the economy softly.

California is still evolving on a number of fronts. The housing market is still quite active, and is likely to remain so in view of sharply lower interest rates this year. Though job growth is expected to moderate by the second quarter, the current strength remains surprising. Our export markets are also strong. The larger impacts, if any, of higher energy costs will probably not be noticed until the Spring.

International trade continues to expand, supporting manufacturing, agriculture and services. Rising defense spending has the potential to further support the State's aerospace and electronics industries this year. All of these factors have allowed the California economy to weather the energy crisis so far and will support its long-term growth once the remaining issues are solved. Paramount among those issues is the housing crisis. The only way out of this crisis is to build new housing units and upgrade aging housing stock.

The dollar remains strong and faced with higher production costs, California producers will face more competition for their exports into Asia, Canada, and Mexico. Economic growth in our principal trading partner nations may also slow this year, reducing the demand for California products abroad. Exports boomed last year, and while the overall levels of goods shipped abroad will continue to remain healthy, a repeat of last year's record is not likely.

## Technology

Despite the technology slowdown this year, the State still remains the focus of adventure capital investments and new economy innovation. The robust economy of 2000 was a banner year for start-ups in the State, with new business incorporations rising an incredible 32 percent. This year, the pace will be much slower, especially with the dot com shake-out.

The new economy sectors created 48,000 jobs in 2000. The largest contributors were software, internet, and medical device manufacturing firms. Biosciences, biotechnology, and healthcare services will continue to add jobs in 2001. Though hiring by communications firms has stalled as a result of weakness in the technology sector, growing domestic and global demand for switches and other communications devices will mandate greater production and innovation from this sector.

## Labor Markets

The State's economy created 440,000 new jobs in 2000, a 3.2 percent rate of growth. Job gains were broad based, occurring in all sectors of the State's economy except mining. Most of the jobs created were in construction, business services, retail trade, education, and a number of other service sectors including health services, social services, and recreation.

The outlook for the current year is 2.2 percent growth. Much of the gain will occur in the Sacramento Valley and the inland counties of the State where housing is both affordable and available.

## Personal Income

The gains last year in income were extraordinary. Real income per capita leaped 4.8 percent. Average salaries per worker jumped 5.1 percent. A very small entry level workforce, virtually no slack in the general labor force, and strong demand for workers pushed employee compensation sharply higher.

The rate of compensation increases will slow down this year as the demand for labor softens. Even so, labor force availability remains austere with higher paying jobs still flowing from the technology sector. Average salaries will probably rise another 3 to 4 percent in 2001.

## New Development

Industrial and residential markets remain under-built, supporting continued construction of homes and nonresidential developments. These will be complemented by aggressive public infrastructure improvements throughout the State.

As mentioned earlier, the current housing crisis in the State will only be resolved by building new homes. A total of 147,600 homes were permitted in 2000. A recent study on California's housing requirements estimated that at least 200,000 units per year are needed to accommodate population growth over the next 10 years.

This year, the number of units is not likely to exceed last year's total as builders and lenders will be in a less expansive mode. However, the relative scarcity of housing will keep the market profitable for developer-participants. The consensus among the Controller's Council of Economic Advisors predicts a not-too-different-from-2000 level of 140,000 homes.

**The rate of compensation increases will slow down this year as the demand for labor softens.**

**Figure 2**

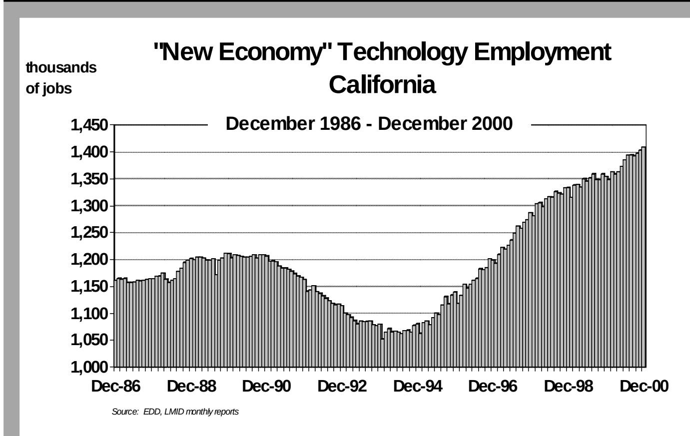
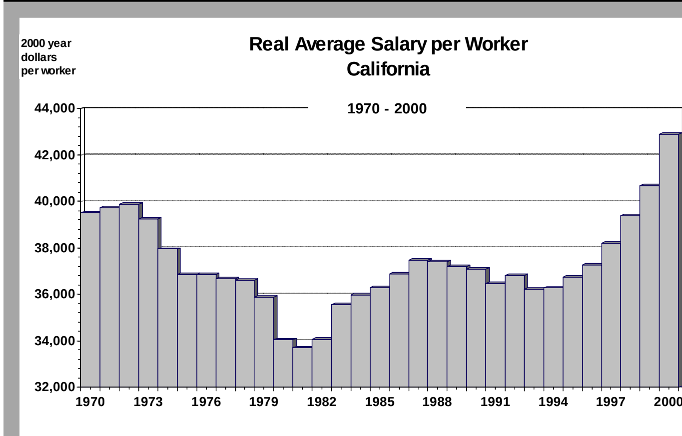



**Figure 3**



## What's Ahead in 2001

The slowdown in the U.S. economy seems so dramatic only because it follows a period of strong and prolonged growth. Accordingly, the consensus among the Controller's Council of Economic Advisors is for the State's economy to log in another year of growth in 2001—albeit at maybe half the rate that it did in 2000. Inflation should moderate by a percentage point in response. Consumers will try to save more in 2001 than they did in 2000, which means a slower rate of spending—especially on big-ticket items such as autos and housing. Firms will concentrate their outlays on equipment that improves efficiency, rather than on expanding capacity.

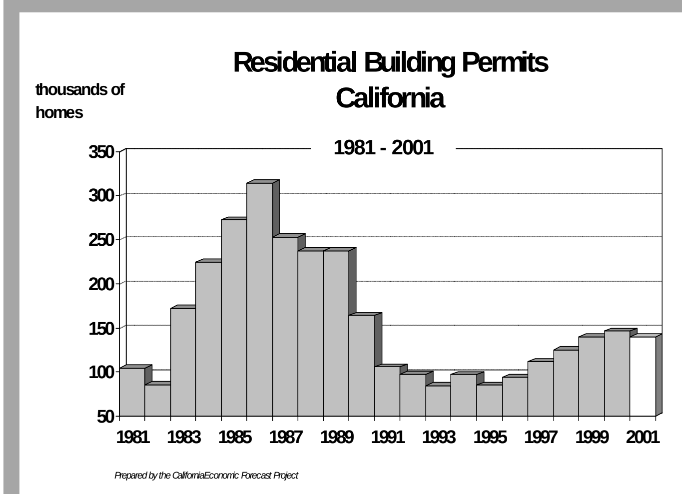
**At least 200,000 [housing] units per year are needed to accommodate population growth over the next 10 years.**

The export market, consumer spending, and continued job creation will be the sustaining forces of economic growth in California during 2001. The fiscal environment for the State will remain healthy in 2001 as job and personal income growth are forecast to expand at a moderate level over the next year.

The financial markets are apparently stabilizing, and with the recent rate cuts, confidence is slowly being restored. If the soft landing is successful, the unemployment rate will not go much higher, income will continue to be generated at respectable levels, and spending on retail goods, business services, personal services, and homes will pick up, especially in the second half of the year. The risk to the forecast is a deteriorating stock market and the continued erosion of consumer confidence.

If the energy crisis is protracted, investors remain tenuous about the equities market, and the technology sector continues to consolidate, especially in the Bay Area, less wealth through profits and asset income will be forthcoming this year. A weaker scenario for California in 2001 is possible though not probable.

**Figure 4**




## Controller's Council Economic Council: Forecasts for 2001

February 2001

| Council Member | Representative | Employment growth (percent) | Unemployment Rate (percent) | Personal Income Growth (percent) | Residential Building Permits (000 of units) |
|---|---|---|---|---|---|
| California Association of REALTORS© | Robert Kleinhenz | 2.0 | 5.2 | 6.3 | 145 |
| California Economic Forecast Project | Mark Schniepp | 2.3 | 5.1 | 6.2 | 141 |
| LA County Economic Dev Corp | Jack Kyser | 2.5 | 5.3 | 6.8 | 142 |
| The Milken Institute | Ross DeVol | 1.7 | 4.8 | 4.5 | 146 |
| Munroe Consulting | Tappan Munroe | 1.6 | 5.6 | 5.0 | 130 |
| UC Berkeley, Center for Real Estate & Urban Economics | Cynthia Kroll | 2.5 | 5.2 | 6.2 | 140 |
| UCLA Anderson Forecast | Tom Lieser | 1.9 | 5.4 | 6.7 | 134 |
| Mean | | 2.1 | 5.2 | 6.0 | 140 |
| Median | | 2.0 | 5.2 | 6.2 | 141 |
| State Controller | | 2.0 | 5.3 | 6.0 | 141 |
| 2000 Actual | | 3.2 | 4.9 | 8.6 | 148 |

*Source: State Controller's Office: Council of Economic Advisors*

# Affordable Housing – Bridging the Gap

**Jan Breidenbach**
Southern California Association of Non-Profit Housing

California's working families can't pay the rent. For a number of years now, national studies have shown that while a low-wage family cannot afford a decent apartment in any major housing market, California leads the pack with the widest gap between incomes and rent. Two trends—the widening income gap and the lack of housing production—account for this crisis situation.

Let's look at the numbers. In Los Angeles, the average "low" rent on a two-bedroom apartment is $900/month—up almost 10% within the past year. To afford this rent (without paying more than 30% of their income) a family needs to make more than $17/hour before taxes, far higher than the present minimum wage of $6.25. Put another way, a minimum wage worker must put in over 120 hours a week to earn enough to have decent affordable housing—that's more than full-time, every day, every week, all year.

The story is repeated all over California. In San Diego it's over $18/hour, in Orange County it's almost $20/hour and in San Francisco it's a whopping $40/hour. As a result, low-wage workers (and even employees who are not so low-wage) are paying more than half or three-quarters of their household incomes for rent. In the Silicon Valley, employees are making commutes of one, two, and three hours each way between where they live and where they work. Compounding the crisis is the fact that production of housing for low and middle wage earners is simply not keeping up with the demand, creating a steady pressure on rising rents and home prices.

The housing crisis is not only a problem for low-income families, however. It is a serious economic problem for the State. Municipalities and private businesses alike are finding jobs going vacant because they can't attract workers. High rents and home prices make it difficult, if not impossible, for many families to save enough money for a down payment. Statewide, California has a 55% homeownership rate (compared to 67% nationally). In San Francisco it is 48%, in Los Angeles City it is 39%. Further, the age of first-time homeowners is steadily moving up and now hovers in the late 30's or even 40's.

The combination of low wages and high rents shows that a "rising tide" doesn't necessarily lift all boats, although it does raise rents. Statewide, we will need almost one million housing units in the next five years, but we're not producing even half of that now.

The solutions may seem obvious to those of us working in the field, but actually involve concerted effort on the part of a number of players. On the income side, we need to realize that increases in the minimum wage help the housing market by making it a little easier for workers to afford their housing, thus freeing up some portion of disposable income (that is then spent in neighborhood businesses). We need to make sure employers and their workers know about the earned income tax credit that assists households in narrowing the gap between wages and rents.

From the housing supply side, we need to address land use issues and zoning for higher density in our cities, and better utilize existing housing and transit corridors. We need to coordinate housing production and economic (read job) development so they occur in the same localities. We need to expedite the construction of market-rate housing that will meet some of the pent-up demand. We need to address the increasing problem of slum housing and take back this stock, and turn it over to community non-profits to be rehabilitated and preserved as decent and safe housing.

**Statewide, California has a 55% homeownership rate, compared to 67% nationally.**

And we need to fund the production and rehabilitation of housing that is affordable to our lower—and lowest—income families. This last task is, in some ways, one of the hardest. It requires that we acknowledge the actual cost of housing. It costs real money to produce decent housing that adds to our neighborhoods. But production programs also recognize that affordable housing is not just a social welfare program, but a smart economic development "machine" —producing jobs and economic growth. Affordable housing is, in many respects, the common ground for a number of interests.

It is this common ground that is the impetus for a number of local housing trust funds campaigns happening throughout the state. In Alameda County, in the Silicon Valley, and in LA, housing and tenant activists, developers, local businesses, and governments have put aside a number of differences and are looking to solve the crisis.

The housing crisis did not happen overnight. However, it is real and it is here. Ignoring it threatens the well being of millions of California families and the social fabric of our communities. Addressing it is our only real option. The future depends on it. ❖

*Jan Breidenbach is the executive director of the Southern California Association of Non-Profit Housing (SCANPH), a regional association of community development corporations. SCANPH is the parent organization of Housing LA, a campaign for a housing trust fund in the City of Los Angeles.*

# Affordable Housing and Local Government

**Bill Witte**
Related Companies

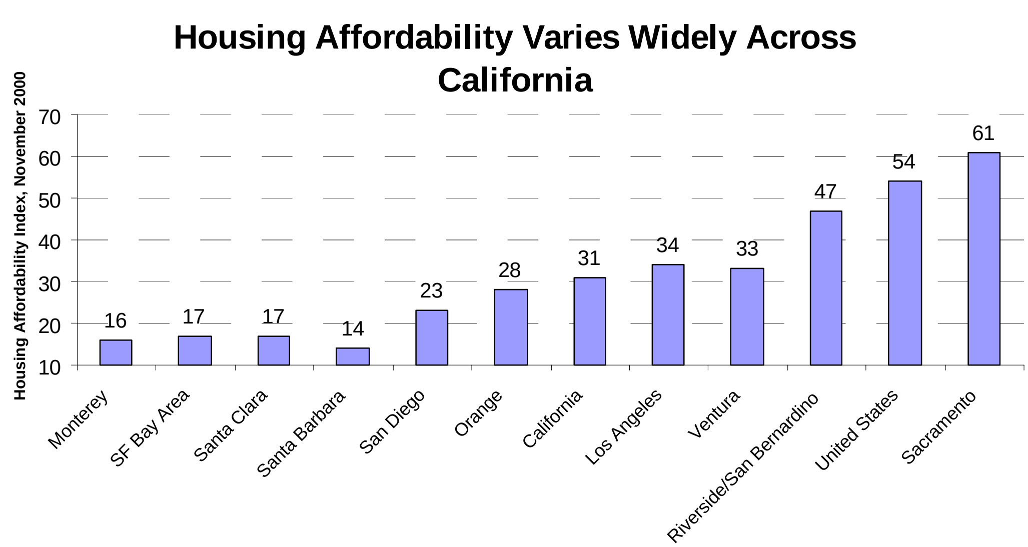
**It is local governments that have by far the greatest ability to influence the development of affordable housing in California.**

Beginning with the New Deal and running through major federal legislation in 1949, 1968, and 1974, the federal government was largely responsible for the delivery of affordable housing in this country. The process, limited as it was, was often heavily politicized and couched in terms of other public policy objectives, such as job creation or urban renewal. The 1980's marked a transition from this dominant federal role, which all but ended with the demise of the Section 8 new construction and rehabilitation programs, to a housing policy focused on state and local government initiatives. Indeed, even though the two major sources of affordable housing financing, the use of tax-exempt mortgage revenue bonds and the low-income housing tax credit program, (both of which were created in the 1980's) involve federal subsidies, both programs are administered and carried out at the state and local level.

The recent economic boom has highlighted and in fact exacerbated the housing needs of low- and moderate-income people, particularly in high growth areas in California. It would not be mere hyperbole to characterize the shortage of affordable housing in California as a brewing crisis. While the state government has responded with, among other things, the first housing programs from General Funds in decades, and even business groups in the Bay Area and parts of Southern California have organized to advocate for more housing, it is striking how little in the way of policy and initiatives have emerged from local governments. This is all the more alarming since, as we will see, it is local governments that have by far the greatest ability to influence the development of affordable housing in California.

Rhetoric aside, local government can really influence the development of affordable housing in only three meaningful ways. First and foremost, it can encourage (or discourage) development through local-land use policies. Regardless of the number and funding of subsidy programs, little affordable housing will occur unless there is a supply of land that is zoned to accommodate it. Second, it can designate surplus, publicly owned sites for affordable housing. (The amount of surplus property in many communities is often far greater than imagined.) Third, it can utilize the financing

**Figure 5**




*Source: California Association of Realtors, Percentage of households that can afford to purchase the median priced, detached single family home.*

programs that it **does** control, preferably in combination with land use and regulatory policies that help encourage such development.

Bay Area cities have often been among the most proactive in moving to address the housing problem, which is not surprising since the problem is most acute there. Still, it is instructive to consider what can be accomplished. In San Francisco, where fully 80% of the city is already built out, the city has aggressively moved to rezone underused non-residential land to residential use, which has fueled a downtown housing boom. In addition, its Redevelopment Agency allocates 40-50% of its pool of tax increment funds to affordable housing, over twice the percentage required by law. In Oakland, Mayor Jerry Brown has taken dramatic steps to encourage the development of housing in the City's long neglected downtown. In San Jose, Mayor Ron Gonzalez has just announced a comprehensive housing policy designed to funnel ever-increasing dollars into affordable housing **and** to encourage significant new housing in the City's still developing Coyote Valley.

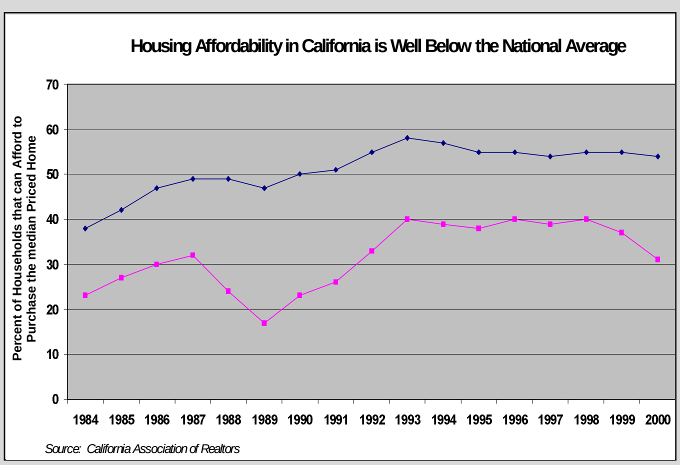
There are glimmers of activity even in areas that historically have shied away from public sector initiatives. Cities throughout San Diego County, for example, have implemented inclusionary housing policies in growth areas and master-planned communities, ensuring that at least a percentage of all new housing development will serve the low- and moderate-income families that provide a significant chunk of the local labor force, but who without such a policy face long commutes to work.

The above examples unfortunately remain the exceptions to the rule that most local governments consider housing in general and affordable housing in particular someone else's problem, or one that should be left to the free market. In many communities throughout Los Angeles and Orange Counties, for example, there is a head-in-the-sand mentality that has resulted in the highest incidence of overcrowding and the greatest "affordability gap" (that is, the gap between household income and market rents/prices) in the country.

The point is not to direct blame— there's plenty of that to go around—but to increase the visibility of housing as a political issue, and to build on the increasing number of successful local initiatives. The availability of decent, affordable housing is central to successful economic development, neighborhood revitalization, transportation, and a host of other public policies.p

**In San Francisco...the city has aggressively moved to rezone under used nonresidential land to residential use, which has fueled a downtown housing boom.**

## The Affordable Housing Crisis in California




- California is currently home to eight of the 10 most expensive metro-politan area housing markets.
- The median price of a home in California, $249,370, is more than $100,000 over the national median.
- California's home-ownership rate is the second lowest in the nation, and only 31% of Californians can afford to own a home.
- During the 1990's, California's population increased by 4.4%, but the supply of housing rose by only 1.6%.

*Source: California Budget Report*

# Housing for Public Safety

By Assemblywoman Rebecca Cohn (D-Saratoga)

**Public safety officers simply cannot afford to live in the communities they serve.**

A thriving community depends on housing. In California, particularly in the Silicon Valley, skyrocketing housing prices and insufficient housing production are threatening the livelihood of our communities. The resulting problems are discussed frequently –urban sprawl, outrageous commute times, traffic congestion, limited family time for working parents – the list is interminable. A consequence less frequently mentioned, but of critical importance, is the toll our housing crisis takes on public safety.

The average price of a home in Santa Clara County is now an astounding $560,550. The annual base salary of a police officer in San Jose is $51,272; the base income of a firefighter in the same region is $32,000. A few simple mathematical calculations add up to the unhappy conclusion that public safety officers simply cannot afford to live in the communities they serve. Although Santa Clara County encompasses one of California's most extreme examples of today's record housing prices, the salaries of police officers and firefighters throughout the state are inadequate to buy homes in higher-priced urban areas.

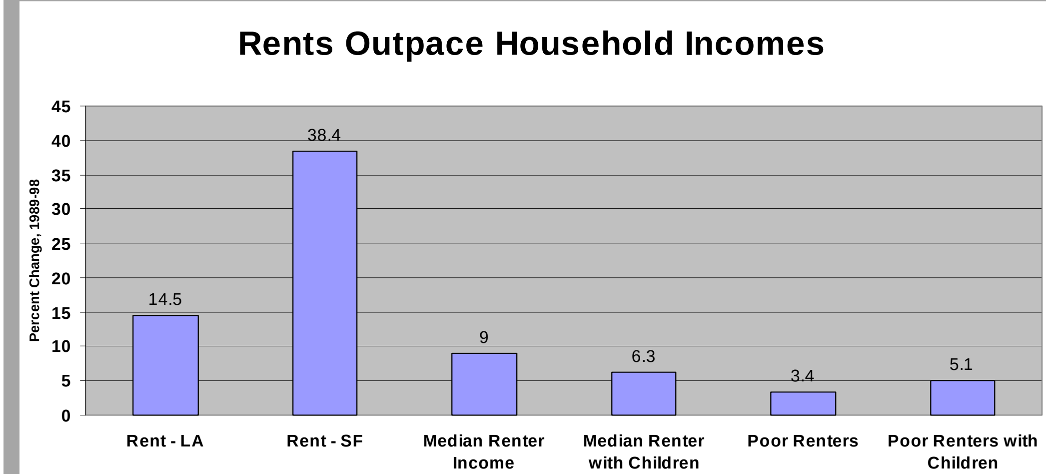
The result is that the men and women who protect our communities from crime and danger have two options: one is to leave their departments for a suburban, rural, or even out-of-state position; the other is to commute several hours a day from out-of-town residences. With either choice, our communities and our public safety officers lose.

When officers leave their departments, cities lose the experienced police officers and firefighters that know their communities intimately. Moreover, recruiting officers to fill vacated positions has proven extremely challenging in a fertile economy abundant with private-sector jobs. The Los Angeles Police Department currently faces a shortage of roughly 1,000 officers from their optimally full staff of 10,176. Despite a costly nationwide recruitment campaign, only a few qualified candidates were found and even fewer joined. Many that declined the position cited the cost of living as one of the primary deterrents from accepting employment.

When officers undertake long commutes the cost is both to the communities they serve and to their own quality of life. Policing and firefighting are both highly stressful, dangerous jobs. Adding several hours of commuting to an already demanding work schedule compromises our safety. It is not in our best interests to have our public safety officers physically and mentally fatigued before they even get to work.

Perhaps most importantly, our cities lose the benefits of having peace officers and firefighters as residing members

**Figure 6**




*Source: California Budget Project Analysis of the current population survey. Poor households are those at the 20th percentile.*

of the communities they serve. Having police officers and firefighters actually living in neighborhoods is an immeasurable contribution to public safety. The very presence of officers as neighbors and stakeholders in the communities where our families live, work and play make neighborhoods more attractive to residents, less attractive to criminals and safer in general.

This is the rationale behind the Federal Housing and Urban Development Department's *Officer Next Door Program*, which provides a 50% discount on homes for police officers in economically distressed areas classified by HUD as revitalization areas. Several cities nationwide including Los Angeles, CA, Portland, OR, Fort Wayne, IN, and Columbia, SC have also implemented home loan programs to encourage police officers to live in the communities they serve. In Columbia alone, crime fell sixteen percent between 1991 and 1996, in part due to such a program.

Unfortunately, Congress' *American Homeownership and Economic Opportunity Act* of 2000, which originally included several mortgage assistance programs for public safety officers, passed last session with no provision for housing aid to police officers and firefighters. It may therefore be up to California to assume leadership this year in helping our public safety officers in this time of housing need.

Until we are able to provide affordably adequate housing in the communities where people work, or until we are able to compensate public safety officers in such a way that they can afford to reside in these communities, we must do everything possible to mitigate the untenable difference between base income and inflated housing costs. For this reason, State Controller Kathleen Connell and I have introduced AB 905, which will provide loans up to $7,500 to help police officers and firefighters purchase homes in the cities where they work. This loan will be forgiven if the officer stays with the municipal department for five years. This program, to be piloted in Los Angeles, San Francisco, San Diego, San Jose and Long Beach will act as a recruitment incentive for these departments and will help officers to move into communities previously out of their price range.

The overall housing shortage in California needs to be addressed systematically. Our state's fiscal system, which forces local governments to rely on sales taxes rather than property taxes, provides strong disincentive for community development and must be reformed. Local governments must adopt zoning and land-use policies that accommodate housing for all income levels and densities. More money needs to be invested in housing development if we are to house all of our state's citizens adequately and safely. However, for the present short term, we can and should provide assistance to public safety officers to become residents of our own neighborhoods. We owe this not only to these valiant men and women for the service they provide our communities, but also to our own families and neighborhood safety.

**We must do everything possible to mitigate the untenable difference between base income and inflated housing costs.**

### Renters are Hardest Hit

- Affordability in terms of rent is defined as paying less than 30% of income for shelter. 43% of all California households are renters, and more than a quarter spend more than half of their income on rent.
- 47% of California renter households pay over 30% of their incomes for housing.
- In 1999, 45% of California renters were unable to afford the fair market rent on a two-bedroom apartment.
- In 1997, the number of low income renter households in the state's metropolitan areas exceeded low cost rental units by 2.1-to-1, a gap of 684,000 units.
- In the Los Angeles Metropolitan area, rent has risen 15%, while the median income of renters rose 9.6%.

*Source: California Budget Project*

# Profile: Vista Nueva

## Monique Lawshe, Chief Executive Officer, A Community of Friends

A Community of Friends (ACOF) is the foremost developer of service-enriched, permanent, affordable housing in Southern California. Founded in 1988, ACOF's core mission is to develop housing for persons who have been diagnosed with a mental disability but are capable of living independently. ACOF provides housing for homeless, disabled, and very low income persons, by creating permanent, affordable housing in an environment where residents can stabilize their lives, without the added concern about impending eviction or relocation as a result of economic circumstances. ACOF has completed 16 affordable properties with nearly 600 units, primarily in Los Angeles. Several hundred additional units are in development.

The financial structure of ACOF's projects exemplifies a successful public and private partnership. ACOF has secured over $110 million in capital financing from the private and public investors. A significant amount of project funding has come from private investors through the financing vehicle of the Low Income Housing Tax Credit (LIHTC). In addition to this source of private equity, ACOF has secured funding from conventional lenders and federal, state, and local agencies, including the City of Los Angeles, Bank of America Community Development Bank, The Enterprise Social Investment Corporation and the Federal Home Loan Bank's Affordable Housing Program.

Vista Nueva, completed in December 1999, is the first development of its kind in Southern California. It offers permanent, affordable, housing to formerly homeless families, where a parent has a mental illness that does not preclude them from living independently and caring for their children. One of the many challenges facing this population is the inability to reunite their families until they can demonstrate to the Department of Children and Family Services that they have decent and safe housing that they can afford. At Vista Nueva, residents pay 30% of their income toward rent. The remainder of the rental cost is subsidized through HUD's Shelter Plus Care Program.

One of the guiding principles that ACOF follows in designing our projects is to create a space where people will be proud to live. Our property often is the best looking building on the block. We typically encounter the "not in my backyard" (NIMBY) attitude at the beginning of the development process, but by the time our properties begin operation, it usually disappears. We are conscientious owners and we emphasize to our residents the importance of keeping the property clean and attractive. Some of our most fierce opponents have been converted once they see the results.

Vista Nueva is an exemplary project in this regard. The 30-unit property is a striking collection of three new buildings, including a cylinder-shaped building that houses a childcare facility for 30 children on the ground floor. The half-acre site was large enough to accommodate the residential use, childcare center, and amenities including a 30-car parking garage, two roof decks, offices for property management and service coordinators, a computer room for residents, and a recreation room. Unit sizes range from 1-4 bedrooms. The property is about 2 miles west of downtown Los Angeles and has easy access to major thoroughfares and public transportation. Residents benefit from a host of on-site supportive services related to personal growth, education, employment, childcare, crisis intervention, and counseling for issues related to mental health. ACOF also collaborates with community-based social service agencies to ensure residents have access to necessary services.

Vista Nueva received international recognition through a Gold Nugget Award from the Pacific Builders' 2000 project competition, in the Apartment Project, Four or More Stories, category. The annual competition includes submissions from countries around the Pacific Rim. ❖

**PROJECT PROFILE: New Harbor Vista**

NUMBER OF UNITS:

| | |
|---|---|
| Total Units: | 132 |
| 2-bedroom | 60 |
| 3-bedroom | 64 |
| 4-bedroom | 8 |

RENTS:

| | |
|---|---|
| 2-bedroom | $330 - $500 |
| 3-bedroom | $380 - $580 |
| 4-bedroom | $410 - $600 |

AFFORDABILITY:

| | |
|---|---|
| 2-bedroom | $16,000 for a family of three |
| 3-bedroom | $19,000 - $28,000 for a family of five |
| 4-bedroom | $21,200 - $30,000 for a family of six |

# Profile: New Harbor Vista

**Robin Hughes, Executive Director, Los Angeles Community Design Center**

New Harbor Vista in the Wilmington community of Los Angeles is an example of how a once-abandoned apartment complex, which became a blight in the neighborhood, was transformed into a vibrant resource for 132 low-income families and the surrounding community. In 1996, when the Los Angeles Community Design Center, a non-profit architect, development and property management firm, found Harbor Vista Apartments, more than 75% of the 183 one- and two-bedroom units were vacant. Neglect, absentee ownership, and poor property management had allowed conditions in the five building apartment complex to decline rapidly since it was built in 1987.

Largely abandoned, Harbor Vista Apartments was a magnet for crime. Local residents referred to the apartments as "New Jack City," a reference to the movie about a decrepit crack hotel. The large and deteriorating structures situated on 3.5 acres and the high vacancy rate provided an ideal location for both drug dealers and drug users. Criminal activities spread from the complex into the surrounding neighborhood. These conditions demanded that the scope of the project extend beyond simply rehabilitating the buildings. From the beginning, the New Harbor Vista Apartments presented an opportunity to engage residents and the community in the revitalization process.

Through a participatory process, the Los Angeles Community Design Center developed a strategy for the complex designed to deal with the issues of the building and the neighborhood through different means. The goal was to transform New Harbor Vista into a community asset. Addressing the overcrowded housing conditions, the development team reconfigured the apartment units to accommodate larger families. They re-designed the floor plans to convert the existing one- and two-bedroom units into 132 two-, three- and four-bedroom units. Empty spaces between the buildings were re-programmed. Several courtyards now scattered throughout the complex include tot lots, barbecues, and outdoor recreational space for both active (basketball court) and passive (sitting areas) pursuits and encourage informal communal activities.

Recognizing that activity within the complex and an open, inviting appearance would cultivate a sense of safety and diminishing crime in the neighborhood, Los Angeles Community Design Center took care to make New Harbor Vista accessible to the surrounding community yet safe for the on-site residents. A security fence encloses the property, yet access from the street directly to community spaces such as the licensed child care center, the youth and cultural center, and several multi-purpose rooms invites residents in the neighborhood to share its resources.

Rehabilitating New Harbor Vista into affordable housing was the first step in fostering community revitalization and neighborhood empowerment. The next step was to make available social, educational, and other support services on-site to further catalyze community change. Residents created a Resident Advisory Council from which the Los Angeles Community Design Center elicits advice and direction for the programming of the community and recreational spaces at New Harbor Vista. Community-based service agencies bring needed resources to residents on-site and in the surrounding neighborhood. Each of the community partners has a history of providing essential services in the Wilmington area.

The Hawaiian Avenue Elementary School Parent Center, which has offered neighborhood residents literacy, parenting, English as a Second Language (ESL) and other classes for many years, has relocated to New Harbor Vista. The center's well-earned reputation as a safe community place helps integrate the apartment complex into the surrounding neighborhood. The youth and cultural center offers after-school programs specifically for children and youth, including arts and crafts, mentoring and tutoring, computer learning, and games. New Harbor Vista also offers childcare for 48 infants, toddlers, and preschoolers from low-income families as well as a variety of other educational, cultural, health, and economic resources at the site.

New Harbor Vista serves very low- and low-income families earning less than 50% of the median income for the county of Los Angeles: $22,160 per year for a family of four (compared to the County median of $55,400). Ten apartments are reserved for families moving from welfare to work. All tenants undergo a rigorous screening process that considers prior landlord history, credit check, and income verification. Today, all the units are leased, and there are nearly 300 families on the waiting list. Through careful property management, enhanced services, and engaging residents in the operations, this newly rehabilitated complex will continue to be a vital community asset for the residents of Wilmington.

Public and private financing from many sources made possible the acquisition and rehabilitation of New Harbor Vista. The State of California Department of Housing and Community Development and the Los Angeles Housing Department provided low-income, deferred payment loans. Private lenders included the Bank of America Community Development Banking Group and the Federal Home Loan Bank. Edison Capital Housing Investments, a subsidiary of Edison International, contributed equity for the project through the sale of Low Income Housing Tax Credits. Grants from the city's Community Development Department, the Bank of America Foundation, the Crail-Johnson Foundation, the Ralph M. Parsons Foundation, and the Center for Law in the Public Interest Foundation (CLIPI) financed the construction of the child care center.

Today New Harbor Vista is a vibrant community. The well-designed and well-maintained buildings and outdoor spaces provide affordable places for people with low incomes to raise children safely and with dignity. The active Residents Advisory Council and positive programming integrate residents into the larger neighborhood and inspires independence, pride and hope.

# The Neighborhood Partnership Initiative

**Carol J. Galante**
President and CEO
BRIDGE Housing Corporation

**Our Mission has been not just to provide housing, but to create sustainable living environments that enhance and uplift the neighborhoods around them.**

By pursuing a major new strategy, BRIDGE Housing Corporation has greatly increased its effectiveness in the state's red-hot real estate market. We are the largest non-profit developer of affordable housing in California, and currently have more than 1,700 housing units in development statewide. We began to see real estate speculation in urban areas that demanded quick closings and lots of upfront money. Unless we were more aggressive with ready cash deposits and a short timeframe to close, bidding was a waste of time. It was clear that BRIDGE needed a new strategy — especially for obtaining parcels large enough to make an impact on distressed neighborhoods — and that we needed to implement it soon.

We launched the Neighborhood Partnership Initiative in early 2000. This new effort commits BRIDGE to work on two fronts simultaneously: to create a "patient" capital investment fund for moving rapidly on land acquisitions; and to build networks of partnerships between private financial institutions, public agencies, non-profit groups, and the local communities themselves. The Initiative, by providing a large pool of ready capital and securing support on several critical levels, enables us to compete on prime properties.

BRIDGE was formed in 1983 by a group of Bay Area business leaders, and has since developed over 8,500 housing units, which are now home to more than 20,000 California residents. Most importantly, our mission has been not just to provide housing, but to create sustainable living environments that enhance and uplift the neighborhoods around them. This guiding principle is most visible in our revitalization efforts in the communities of Richmond, Marin City, and most recently, East Palo Alto and West Oakland. These large-scale projects have successfully integrated large volumes of housing for people earning a range of incomes with a variety of commercial, retail, and community uses. Creative planning ensured that each development functions as a mixed-income magnet for other forms of community investment, such as new businesses and improved schools, and amenities like parks and childcare facilities.

The twin components of the Neighborhood Partnership Initiative are already bearing significant fruit. The creation of a "patient" capital investment fund is particularly successful. So far, we have raised $16.3 million towards a goal of $20 million. The Fannie Mae Foundation, Bank of America, Wells Fargo Bank, and Washington Mutual Bank have all provided low interest loans and investments. BRIDGE is putting these funds to work on three revitalization plans, in West Oakland, San Rafael, and San Francisco. The ready capital is also having a positive impact on our overall planning. One of our biggest obstacles has been the considerable time it takes to put together a complicated financing package when most property owners want to close quickly. With the new funding we can now act much more effectively.

This effort to secure new investment capital led to a landmark event in BRIDGE's 18-year history. In July 2000, the California Public Employees Retirement System (CalPERS) selected us to manage $100 million of the retirement fund's California Urban Infill Investment Program. We are working with early stage capital for the development of housing for people at different income levels. The focus is on urban areas that the current economic boom has so far left behind.

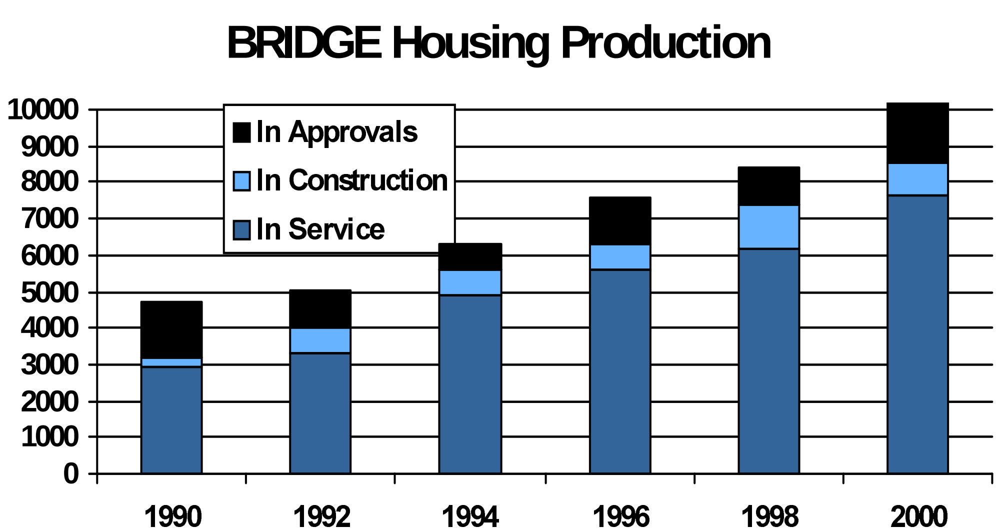
Meanwhile, the strategy of forming networks of partnerships has also proven valuable. A good example is our first Neighborhood Partnership project, the new Chestnut and Linden Courts development in West Oakland. Chestnut Court is a HOPE VI development owned by the Oakland Housing Authority (OHA), and Linden Court is a private site occupied by truck storage that we recently purchased. BRIDGE is developing this joint project with the (OHA), non-profit service provider Asian Neighborhood Design, the local residents council, and E. M. Johnson Interests, a private firm. We have found that the time commitment involved in doing outreach and building these kinds of relationships is critical for the success of revitalization. Having residents and agencies involved in the process from an early stage has helped our project team to identify the character, concerns, and needs of the neighborhood.

These ideas are implicit in the planning of the Chestnut and Linden Courts project. It will be built on two nearby city blocks and will provide 137 family rental apartments affordable to both public housing residents and new families. Additionally, there will be commercial space and two community buildings as well as 134 market-rate live/work lofts above the commercial space and on an adjacent parcel. Fifteen new single family homes will be built for first-time homebuyers. All together the 286 new housing units will have a dramatic and transforming impact on this struggling, semi-industrial community, which is conveniently situated near public transportation, a library branch, and schools that serve all grade levels. What is most significant is that the project will provide quality homes for current and long-time residents of the community.

The Neighborhood Partnership Initiative will result in the acquisition of many additional properties like Chestnut and Linden Courts in the near future. It is also bringing a new vitality to our goal of revitalization. It's exciting to see how these new methods are enabling us to plan on a much larger scale. We are now in a great position to take on the California market and provide a model for others to do the same. ❖

**Having residents and agencies involved in the process from an early stage has helped our project team to identify the character, concerns, and needs of the neighborhood.**

**Figure 7**




*Source: BRIDGE Housing Corporation*

# The Housing Trust of Santa Clara County

**By Chris Block**

**The goal of the HTSCC initiative is to help more than 5,000 individuals and families severely affected by the housing crisis.**

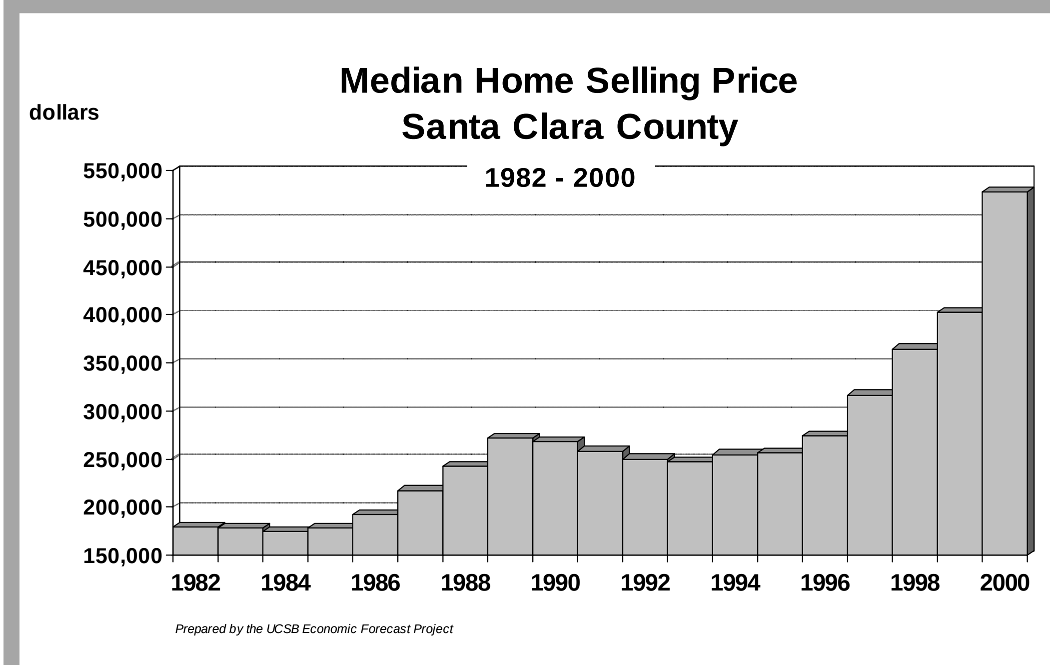
In 1997, it became clear that rising housing costs and decreasing availability of housing was adversely affecting the quality of life in Santa Clara and the entire Silicon Valley. Individuals and organizations from both the public and private sector recognized that affordable housing is integral to economic well-being, job recruitment, and talent retention. Housing creates jobs, boosts local tax revenues, and enables our community to be a vibrant place to live, work, and conduct business.

Foreseeing the adverse effects of a shortage of affordable housing, a collective vision grew from a group of concerned organizations that led to the creation of the Housing Trust of Santa Clara County (HTSCC). Unlike the other 130 housing trust programs operating in the United States today, HTSCC formed as a public-private partnership that joined the private sector together with the county, the cities of the county, charitable foundations, and individual donors.

We knew that bringing the community together would be critical to the success of the Trust, so from the beginning we asked four organizations that represented the entire community in one form or another to be the founders. This founding consortium included The Santa Clara County Collaborative on Housing and Homelessness, Santa Clara County Board of Supervisors, Silicon Valley Manufacturing Group, and the Community Foundation Silicon Valley. We solidified our diverse base by selecting a broad spectrum of the community for the Board and as donors. With a dynamic Board of Directors that truly represents a cross-section of the community, from public agencies, private corporations, nonprofit institutions, and foundations, it can be said that the actions of the HTSCC indeed reflect the wishes of the community.

The HTSCC is a non-profit, public/private initiative spear-heading the creation of more affordable housing, purchasing power for first time homebuyers, and low income housing assistance. Our purpose is to build and sustain a revolving grant and loan fund that will complement and leverage other housing resources in the County of Santa Clara and throughout Silicon Valley. Funds donated for the purpose of

**Figure 8**



HTSCC's loan and grantmaking program are used exclusively to support affordable housing development. HTSCC operating costs are separately funded through grants.

The goal of the HTSCC initiative is to help more than 5,000 individuals and families severely affected by the housing crisis. Specifically, we intend to support the creation of up to 3,000 affordable rental homes, assist nearly 800 first time homebuyers with low cost down payment loans, and support the provision of housing and supportive services to more than 1,000 homeless individuals and families.

The HTSCC fundraising campaign now stands at $16,500,000 on its way to the first stage goal of $20,000,000. The campaign itself has helped to galvanize the community. Donors include some of Silicon Valley's largest employers, its largest ten cities, the County of Santa Clara, local foundations, and industry associations. The campaign has been recently expanded to include individuals, small and medium sized businesses, and local community funds. The breadth of the campaign is perhaps the best testimony there is to broad community support.

The HTSCC is gearing up to make its first loans and grants by the beginning of April 2001. The housing problem is a matter of great urgency and we are making every effort to achieve the full goal within the next 30 to 60 days. This is especially important given the leveraging ability of HTSCC funds. When used to complement other housing resources in the region, $20 million will leverage more than $200 million in housing assistance and development financing.

Meeting the affordable housing needs of Santa Clara County can only be solved through cooperative efforts such as the HTSCC. By approaching the problem from a community-wide perspective, including both the public and private sector, we can begin to craft solutions. It is projected that nearly 400,000 new jobs will be created in the next ten years while only 100,000 new housing units will become available as the market now stands. In the face of this enormous challenge and the challenge that cities around the state face, it is my hope that the success of HTSCC in creating affordable housing will serve as a model for other communities. ❖

*Chris Block, the new Executive Director of the HTSCC, has spent much of his career effectively working to create more affordable housing in Silicon Valley.*

**By approaching the problem from a community-wide perspective, including both the public and private sector, we can begin to craft solutions.**

### Housing Out of Reach for Many Californians

- At all income levels, California's gap between those who need housing and its availability is growing by more than 100,000 per year.
- California has the lowest homeownership rate in the country.
- There are only 6 affordable housing units for every 10 low income households in California, compared to nationally where there are 12 affordable units for every 10 low income households.
- Over 465,000 households are on the waiting lists for subsidized housing in California.

*Source: Housing California*

# Housing: One Square in the Urban Quilt

By
Glenn Gritzner and Katherine Perez
Southern California Transportation and Land Use Coalition

**Over two-thirds of our future growth will come internally — our own children and grandchildren.**

California's housing crisis is well documented. One need only look at one year in the life of the City of Los Angeles to witness the extent of the problem: Last year, the city gained 65,000 residents, yet built just over 1,900 housing units. Unless 34 people are living in each new house, we aren't building nearly enough housing. According to some estimates, Los Angeles is 50,000 apartment units short of demand *today*. That does not account for future growth.

The reasons for that crisis are also well documented: a fiscal system that lets cities keep their sales tax while giving up their property tax is probably the most powerful disincentive for cities to build housing. Add to that unclear environmental standards which leave virtually every urban development open to litigation, the high price of development (even at currently high rents, most apartment developers say that rents still aren't high enough to make anything but high-end luxury apartments "pencil out"), and the simple fact that land is scarce, and the crisis becomes even more understandable.

Finally, a number of misperceptions exist that make housing unpopular in communities: housing will increase traffic; multi-family housing will bring "undesirables" to the neighborhood; our cities have already "grown enough." Aside from the fact that most of the myths about housing – and especially affordable housing – have been debunked in a variety of studies, the fact is that California's population *will* grow. Though some may think that the growth is caused by immigration or more Americans seeking good weather, over 2/3 of our future growth will come *internally* – our own children and grandchildren. If we provide for that growth using a smart, holistic, integrated approach, we will not only be able to accommodate those people without facing total gridlock and sky-high prices, but we may actually be able to improve our quality of life in the process.

## Mending the Urban Fabric

Most larger cities have a Housing Department, a Planning Department, a Transportation Department, some sort of Redevelopment Agency, and a Recreation & Parks Department. These departments are often staffed by bright, motivated people, who rarely talk to their counterparts in the other departments. This creates a disjointed planning process that has real consequences: uncoordinated development, housing located ever farther from jobs, and open space that's often either nonexistent or virtually inaccessible. In addition, while each of these departments is working toward its own goals, they often work at cross-purposes, fighting each other over scarce resources and land, instead of fighting together for the common good.

California's cities need to plan their futures more proactively and more effectively. By definition, urban areas have little open land. Sites either must be redeveloped from existing, underused properties or buildings must be purchased and demolished. Either way, this land is often fought over fiercely by advocates for housing, schools, open space (such as parks), and jobs. All four are crucial to any region's quality of life, economic vitality, and overall attractiveness. Given that all four – and especially the first three – are literally in a state of crisis, it becomes even more essential to plan for future needs.

California's cities and regions need to explicitly recognize this inherent conflict. They need to undertake inclusive, patient planning processes that result in outcomes that are as equitable as possible for all involved. They need to explore innovative and land-efficient ideas like joint use of the land surrounding schools as both city parks and playgrounds. In Los Angeles, charter schools have been exempted from open space requirements by locating near public parks, but this arrangement was achieved only after an arduous, time-consuming process. Issues as mundane as who would be responsible for damage to grass were difficult to overcome. Codifying the legitimacy of such arrangements on a one-time basis, whether at the local, regional, or Statewide level, would incentivize more of this kind of cooperation. Consensus will never be reached, but if the process recognizes all competing needs and strives to provide as much of this desperately needed "civic infrastructure" as possible, the wars over individual sites will lessen.

## Strengthening the Urban Fabric

The linkage between the various departments mentioned earlier also needs to be not only recognized, but exploited. This may be most apparent when it comes to the jobs-housing balance – or imbalance, as the case may be. Logic tells us that jobs need to be located close to housing that employees of those jobs can afford. When that coupling becomes delinked, we all know what happens from experience: commute times increase because people have to move farther away from their job to be able to afford a house, air quality suffers from cars sitting in traffic, and our social fabric is weakened when we spend less time with our families in order to sit alone in our cars.

The crucial factor in relinking jobs and housing is transportation – especially public transportation. Transportation is an important factor in increasing quality of life – not because it eliminates traffic, but because it provides *options* for those who don't want to sit in traffic. In order for transportation to be feasible, it has to be linked with land use. It needs to serve heavy activity centers, job centers, and retail centers. In Los Angeles – where people supposedly love their cars – people have continually streamed into and out of the MTA Red Line station serving Universal City Walk (a popular retail and entertainment destination) since day one of operation. When transportation serves this kind of land use, the transportation is more heavily used, making it worth the investment. Businesses in the area also benefit from heavier foot traffic. One of the reasons public transpor-tation is hard to provide in Southern California, for instance, is the perception of relatively low densities (although some experts point out that Los Angeles is more dense than many Western cities). Many people need to live within walking distance of safe, reliable public transit if that transit is going to be worth the investment of public dollars. So now we connect the dots: we know we need more housing; we know that traffic congestion is only going to get worse; we know that people want to live near where they work or be able to get to work easily; and we know that transit needs to be located near people who want to use it in order to be viable.

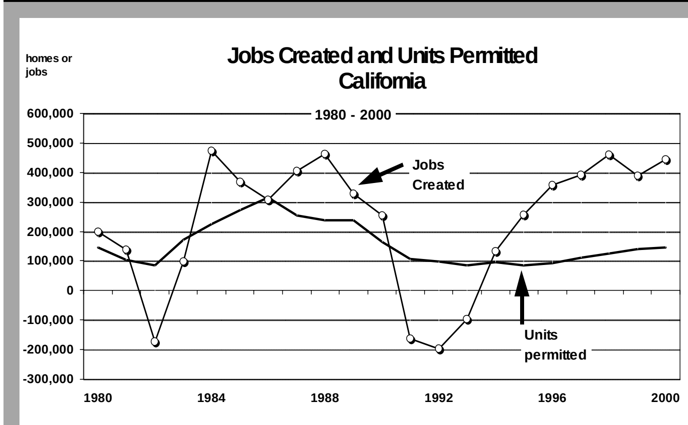
This is where good, proactive planning comes back into play. If cities channel their new housing development to particular corridors, where somewhat greater densities make sense and that connect job or retail centers, then the people who live there will also make transit more viable. If the housing is well designed, and the transit is engineered correctly, these communities start to become more attractive. People can walk to retail stores and other daily necessities. They can use public transit to get to work. In every single instance around the world where well-designed housing is placed near transit, that housing skyrockets in value. And for those who are afraid of density, remember that well-designed density has benefits: communities are stronger, amenities are closer, options are greater. Some of the most attractive cities in the world – San Francisco, Paris, Boston – are also among the densest. Finally, with housing concentrated along certain corridors that are well-served by transit, other areas with predominantly single family homes can retain their character, and amenities like parks and schools will be provided more easily because they will no longer compete with housing needs.

Providing adequate housing, transit, open space, and schools is a difficult task for all cities. In light of the challenges that today's urban environments present in California, the quality of life in our cities will hinge on the ability to plan these elements in tandem and link them effectively. ❖

*The Southern California Transportation and Land Use Coalition is a broad-based, action-oriented coalition consisting of business associations, developers, environmental groups, social justice advocates, faith-based institutions, and health advocates, which is working to determine concrete steps the region can take to accommodate future growth while improving quality of life.*

**In the Los Angeles Metropolitan area, rent has risen 15%, while the median income of renters rose 9.6%.**

**Figure 9**



Important Information About California